

Message Text

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PAGE 01 MADRID 07076 01 OF 03 221908Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 EURE-00
/101 W

-----087128 221935Z /40

P R 221725Z SEP 77
FM AMEMBASSY MADRID
TO SECSTATE WASHDC PRIORITY 1836
INFO AMEMBASSY PARIS
AMEMBASSY LISBON

UNCLAS SECTION 1 OF 3 MADRID 7076

USOECD

FOR STATE, TREASURY, FRB

E.O. 11652: N/A
TAGS: EFIN, ETRD, OECD, EALR, ECON, SP
SUBJECT: KEY SPANISH ECONOMIC STATISTICS - NUMBER 10

REF: MADRID 6254

1. A NEW BATCH OF SPANISH STATISTICS HAS JUST BEEN OBTAINED AND SHOULD BE USEFUL BACKGROUND FOR NEXT WEEK'S MEETINGS BETWEEN SPANISH VICE PRESIDENT FOR ECONOMICS FUENTES AND SECRETARY BLUMENTHAL AND CHAIRMAN BURNS, AS WELL AS FOR THE U.S.-SPANISH COUNCIL MEETING. SOME OF THE DATA INDICATE A FURTHER DETERIORATION OF THE ALREADY BAD ECONOMIC SITUATION HERE, ALTHOUGH FIGURES ON THE EXTERNAL POSITION - CONSIDERED BY MANY ECONOMIC LEADERS TO BE SPAIN'S MOST PRESSING PROBLEM - SHOW IMPROVEMENT THIS SUMMER DUE TO THE PESETA DEVALUATION, SEASONALLY HIGH TOURISM AND LOWER OIL IMPORTS. THESE FACTORS WERE ACCOMPANIED BY AN INCREASE IN FOREIGN LENDING
UNCLASSIFIED

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PAGE 02 MADRID 07076 01 OF 03 221908Z

ACTIVITY FOLLOWING THE IMPORTANT JUNE 15 ELECTIONS, SO THAT SPANISH FOREIGN RESERVES SHOWED MAJOR INCREASES IN BOTH JULY AND AUGUST. AT THE END OF AUGUST THE RESERVES STOOD AT 5.4 BILLION DALLARS, A LEVEL LAST REACHED IN EARLY 1976. UNOFFICIAL FIGURES SHOW TOTAL PUBLIC SECTOR FOREIGN DEBT UP 1.53 BILLION DOLLARS IN THE FIRST SEVEN MONTHS OF THE YEAR, PUTTING THE PRESENT OVERALL PUBLIC

AND PRIVATE FOREIGN DEBT AT ROUGHLY 14 BILLION DOLLARS.

2. CONSUMER PRICES ROSE 3.1 PERCENT IN JULY, FOR A TOTAL RISE OF 16.9 PERCENT IN THE FIRST SEVEN MONTHS OF THIS YEAR. EXPERTS PREDICT THAT AUGUST INFLATION WILL BE SIMILAR TO THE JULY LEVEL AND THAT THE FULL-YEAR 1977 INFLATION WILL TOTAL 28-30 PERCENT. WHILE THESE CONSUMER PRICE INCREASES ARE CONSIDERABLE, THERE IS SOME ENCOURAGEMENT TO BE TAKEN FROM THE WHOLESALE PRICE INDEX. WHEREAS THE CONSUMER PRICE INDEX ROSE AT AN ANNUAL RATE OF 29.0 PERCENT IN THE FIRST SEVEN MONTHS OF THE YEAR, WHOLESALE PRICES IN THE FIRST FIVE MONTHS ROSE AT AN ANNUAL RATE OF ONLY 13.0 PERCENT. FURTHER, THE WHOLESALE PRICE INDEXES SHOW A DECELERATION IN THE LATEST MONTHS. ALTHOUGH THE RESULTS OF THE JULY DEVALUATION AND THE SUBSEQUENT LOWERING OF THE MONEY TARGET ARE FOR THE MOST PART YET TO BE REFLECTED IN THE PRICE INDEXES, THE NEW PROVISIONAL DATA DOES NOT SUGGEST A HYPERINFLATION IN SPAIN.

3. THE STOCK MARKET COLLAPSE HAS BEEN IF ANYTHING MORE EYE-CATCHING THAN INFLATION. THE LEADING STOCK MARKET INDEXES HAVE FALLEN OVER THIRTY PERCENT SINCE THE FIRST OF THE YEAR, TO WHICH LOSSES MOST SHAREHOLDERS MUST ADD THE EFFECTS OF HIGH INFLATION ON STOCK VALUE AND THE MAJOR STOCK MARKET LOSSES IN THE PREVIOUS TWO YEARS. THE EMPLOYMENT STATISTICS FOR FIRST HALF 1977 DO NOT

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PAGE 03 MADRID 07076 01 OF 03 221908Z

SHOW A SIGNIFICANT WORSENING. THE NEW DATA REVEAL A MUCH GREATER FISCAL DEFICIT ESPECIALLY WHEN JUDGED BY THE BROADER NET GOVERNMENT FINANCE FIGURES.

4. ON SEPTEMBER 6 THE GOVERNMENT PUBLICLY ANNOUNCED THAT BY THIS DECEMBER THE MONEY SUPPLY (M3) WOULD BE GROWING AT AN ANNUAL RATE OF 17 PERCENT, OR A LOWER RATE IF TRADE UNIONS SHOW NO RESTRAINT IN THE FALL WAGE NEGOTIATIONS. BEFORE THIS ANNOUNCEMENT AND SINCE SEPTEMBER 1976 THE BANK OF SPAIN PUBLICLY TARGETED A 21 PERCENT ANNUAL GROWTH RATE, ALTHOUGH ON OCCASION THE ACTUAL GROWTH RATE HAS FALLEN SHORT OF THE TARGET. THE NEW TARGET IS SOMEWHAT RESTRICTIVE, ESPECIALLY IN THE LIGHT OF THE HIGH INFLATION. THE OFFICIAL PROVISIONAL M3 DATA FOR JUNE AND JULY SHOW A QUITE RAPID AND ALMOST SURELY UNINTENTIONAL INCREASE IN THE MONEY SUPPLY.

UNCLASSIFIED

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PAGE 01 MADRID 07076 02 OF 03 221858Z
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P R 221725Z SEP 77
FM AMEMBASSY MADRID
TO SECSTATE WASHDC PRIORITY 1837
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UNCLAS SECTION 2 OF 3 MADRID 7076

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5. OFFICIAL DATA

A) OUTPUT AND DEMAND

(1) INDUSTRIAL PRODUCTION (BASE 1962 EQUAL 100)

(1/76: 325.4; 7/76: 363.0; 1/77: 379.4 PROV)

2/77 (PROV) 396.3

3/77 (PROV) 423.1

4/77 (PROV) 397.8

INDEX (TREND)

(1/76: 336.8; 7/76: 354.4; 1/77: 389.2 PROV)

1/77 (PROV) 389.2

2/77 (PROV) 389.6

3/77 (PROV) 391.5

4/77 (PROV)1 393.3

(2) GDP - NO NEW DATA

(3) DEPARTMENT STORE RETAIL SALES (BASE 1963 EQUAL 100)

INDEX (1/76: 1,622.9; 7/76: 1,619.5; 1/77: 2,077.1)

4/77 1.349.8

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MADRID 07076 02 OF 03 221858Z

5/77 1,374.1

INDEX (TREND)

(1/76: 1,261.0; 7/76: 1,357.5; 1/77: 1,516.5)

2/77 1,551.7

3/77 1,561.7

4/77 1,561.7

5/77 1,561.7

(NOTE: LAST THREE DATA ARE IN FACT IDENTICAL)

(4) STEEL PRODUCTION (1,000 TONS)

(1/76: 839.3; 7/76: 1,001; 1/77: 952.7)

3/77 944.5

4/77 901.9

(5) CEMENT PRODUCTION (1,000 TONS)

(1/76: 1,715; 7/76: 2,194; 1/77: 1,955)

3/77 2,532

4/77 2,324

(6) ELECTRICITY CONSUMPTION (MILLION KWH)

(1/76: 7,690.9; 7/76: 7,014.1; 1/77: 8,325.4)

2/77 7,551.6

3/77 7,732.3

4/77 6,939.8

5/77 7,059.8

(7) MADRID STOCK MARKET INDEX (SERIES NOW BASED ON
DEC. 31, 1976 EQUAL 100)

(DEC. 31, 1975 EQUAL 100: DEC. 31, 1976 EQUAL 71.44)

SEPTEMBER 21, 1977 EQUAL 68.50

B) PRICE INDEXES

(1) (A) CPI (BASE 1968 EQUAL 100)

(1/76: 204.7; 7/76: 226.0; 1/77: 250.0)

2/77 253.9

3/77 (PROV) 260.1

4/77 (PROV) 264.7

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MADRID 07076 02 OF 03 221858Z

5/77 (PROV) 266.8

(B) CPI (1976 EQUAL 100) NO INDEX NUMBERS AVAILABLE

7/77 (PROV) PLUS 3.1 PERCENT

1-7/77 (PROV) PLUS 16.9 PERCENT

(2) (A) WPI (BASE 1955 EQUAL 100)

(1/76: 364.5; 7/76: 382.7; 1/77: 420.8)

2/77 432.5

3/77 447.5

4/77 (PROV) 453.5

5/77 (PROV) 438.8

(B) WPI (TREND) (BASE 1955 EQUAL 100)

(1/76: 364.2; 7/76: 390.8; 1/77: 423.6)

2/77 428.4

3/77 430.3

4/77 (PROV) 431.7

5/77 (PROV)1 433.1

C) MONEY SUPPLY

(1) M1 (BILLIONS PESETAS) (NOT SEAS. ADJUSTED)

(1/76: 1,859.8; 7/76: 2,076.6; 1/77: 2,237.2)

5/77 2,338.2
6/77 2,425.0
7/77 2,549.1

(2) M3 (BILLIONS PESETAS) (NOT SEAS. ADJUSTED)

(1/76: 5,186.3; 7/76: 5,673.2; 1/77: 6,181.8)

5/77 6,479.1
6/77 6,610.5
7/77 6,835.6

(3) REPRESENTATIVE SHORT TERM INTEREST RATE (PERCENT)

(1/76: 11.4; 7/76: 17.4; 1/77: 12.5)

5/77 7.7

6/77 (FIRST TEN DAYS) 10.3

(4) REPRESENTATIVE LONG TERM INTEREST RATE:

(UNCHANGED DURING YEAR AT 14.0 PERCENT)

UNCLASSIFIED

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PAGE 01 MADRID 07076 03 OF 03 221906Z

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D) CENTRAL GOVERNMENT (NARROWLY DEFINED FOR NOS. 1-3

BELOW) (ALL DATA ARE BILLIONS OF PESETAS)

(1) DEFICIT OR SURPLUS

(1/76: 55.2; 7/76: 7.8; 1/77: 9.3)

5/77 (PROV MINUS 1.2

6/77 (PROV MINUS 40.6

(2) EXPENDITURES

(1/76: 52.4; 7/76: 93.8; 1/77: 49.5)

5/77 (PROV 92.1

6/77 (PROV) 103.4
(3) REVENUES
(1/76: 47.3; 7/76: 101.6; 1/77: 58.8)
5/77 (PROV) 90.8
6/77 (PROV)1 62.7
(4) NET GOVERNMENT FINANCE
(1/76: 2.5; 7/76: -7.0; 1/77: -13.3)
5/77 (PROV) 42.1

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MADRID 07076 03 OF 03 221906Z

6/77 (PROV) 100.2

E) LABOR

(1) TOTAL EMPLOYMENT (PROV) (THOUS)
FIRST QUARTER 1977 13,154
SECOND QUARTER 1977 13,130
(2) UNEMPLOYMENT RATE (PROV)
FIRST QUARTER 1977 5.4 PERCENT
SECOND QUARTER 1977 5.2 PERCENT
(3) REGISTERED EMIGRATION TO REST OF EUROPE
NO NEW DATA
(4) WAGE INDEXES (BASE 1967 EQUAL 100)
INDEX (1/76: 380.2; 7/76: 709.3)
9/76 428.9
10/76 472.4
11/76 453.4
12/76 726.8
INDEX (TREND)
(1/76: 419.9; 7/76: 491.1)
9/76 507.5
10/76 513.6
11/76 519.7

F) TRADE AND PAYMENTS

(1) EXPORT VALUE FOB (MILLIONS OF DOLLARS)
(1/76: 827.6; 7/76: 765.9; 1/77: 748.3)
7/77 (\$1 EQUAL 76.29) 789.6
(BILLIONS OF PESETAS)
(1/76: 49.4; 7/76: 52.0; 1/77: 51.3)
7/77 60.2
(2) IMPORT VALUE CIF (MILLIONS OF DOLLARS)
(1/76: 11,361.6; 7/76: 1,414.3; 1/77: 1,135.7)
7/77 (\$1 EQUAL 76.29) 1,352.8

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MADRID 07076 03 OF 03 221906Z

(BILLIONS OF PESETAS)

(1/76: 81.3; 7/76: 96.1; 1/77: 77.8)

7/77 103.2

(3) EXPORT VOLUME (MILLION METRIC TONS)

(1/76: 2.3; 7/76: 2.3; 1/77: 2.4)

7/77 2.2

(4) IMPORT VOLUME (MILLION METRIC TONS)

(1/76: 6.4; 7/76: 7.1; 1/77: 5.3)

7/77 4.5

(5) CURRENT ACCOUNT DEFICIT (BEFORE ADDITION OF
STANDARD RATIO ADJUSTMENTS) (MILLIONS OF DLLARS)

(1/76: 276.7; 7/76: 482.3; 1/77: 551.7)

5/77 (\$1 EQUAL 68.91) 596.7

6/77 (\$1 EQUAL 69.16) 808.3

1-6/77 (\$1 EQUAL 69.16) 3,663.5

(6) FOREIGN EXCHANGE RESERVES (NET OF OBLIGATIONS;
EXCLUDING NON-CONVERTIBLE CURRENCY) (MILLIONS OF DOLLARS)

(1/76: 5,874.8; 7/76: 5,084.4; 1/77: 4,753.0)

5/77 4,245.3

6/77 (UNOFFICIAL) 3,728

7/77 (UNOFFICIAL) 4,408.8

8/77 (UNOFFICIAL) 5,377

(7) FOREIGN INDEBTEDNESS OF PUBLIC SECTOR
(MILLIONS OF DOLLARS)

1-7/77 (UNOFFICIAL) 7,408

(8) MADRID FOREIGN EXCHANGE BUYING AND SELLING RATES

SEPTEMBER 21, 1977 84.448 AND 84.708

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Message Attributes

Automatic Decaptioning: X
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Disposition Comment:
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